



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

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Third District

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Fifth District

February 1, 2010

To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

FUTURE CONTRACT EXTENSIONS/COST REDUCTIONS (JANUARY 12, 2010 BOARD AGENDA, ITEM NO. 13) – STATUS REPORT

On January 12, 2010, your Board directed the Internal Services Department (ISD) and Chief Executive Office (Office) to report back on: 1) a more equitable outcome regarding two pending contract extensions/cost reduction amendments, and 2) a recommendation to address amendments in similar future initiatives in a more equitable fashion. Your Board subsequently approved ISD's two pending amendments on January 19, 2010, after the contractors agreed to reflect cost savings back to the same time period as other like vendors. This memorandum provides a general recommendation for subsequent contract amendments which may be proposed consistent with the current contract extensions/cost reduction initiative, and for any future initiatives of this type your Board may approve.

Background

On June 25, 2009, as directed by your Board, this Office provided instructions to all departments establishing the criteria and a timeline for reporting back on recommendations for contract extensions/cost reductions. Departments subsequently canvassed their contracts and solicited offers from contractors which met the appropriate criteria. Departments then requested price reductions in exchange for one-year or two-year contract extensions.

"To Enrich Lives Through Effective And Caring Service"

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Between September and October of 2009, your Board authorized and delegated authority to department heads to amend 196 contracts due to this initiative. The cumulative annual savings for the first year resulting from the amendments approved through this initiative is an estimated \$6.4 million, which includes net County cost savings of approximately \$2 million, as well as a revenue increase of \$120,000.

Recommendation

For the current contract extensions/cost reduction effort, we recommend that any future amendments submitted for your Board's approval must reflect contractor cost reductions effective October 31, 2009 or earlier.

Further, whenever a similar initiative is undertaken in future years, we recommend that departments be instructed to require contractors to respond and execute an amendment within a date-specific time frame acceptable to your Board. The Board instruction noted a time frame of 30 days. However, we are recommending that we retain flexibility to recommend for your Board's approval the appropriate time frame at the time your Board approves any such initiatives in the future. Any offers received and accepted after the established deadline would need to be effective no later than the deadline date.

Unless otherwise instructed by your Board, this Office will issue the above instructions to all departments on or after February 12, 2010.

If you have any questions or require additional information, please have your staff contact Ellen Sandt at (213) 974-1186 or esandt@ceo.lacounty or Martin Zimmerman at (213) 974-1326 or zimmerman@ceo.lacounty.gov.

WTF:ES:MKZ
FC:JH:pg

c: All Department Heads
Administrative Deputies
Contract Managers' Network